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NICHOLAS J. SANTORO
MICHAEL E. KEARNEY
J. DOUGLAS DRIGGS, JR.
RICHARD F. HOLLEY
DAVID G. JOHNSON
RONALD J. THOMPSON
JAMES E. WHITMIRE, III
DANIEL L. SCHWARTZ
VICTORIA L. NELSON
DEAN S. BENNETT
KIRBY C. GRUCHOW, JR.
ANGELA K. ROCK
ANDREW J. GLENDON

KEVIN L. JOHNSON
LEE E. DAVIS
THOMAS G. GRACE*
SEAN L. ANDERSON
JAMES D. BOYLE

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OF COUNSEL:
ANTHONY A. ZMAILA
CHARLES L. TITUS

*LICENSED IN ILLINOIS ONLY

WRITER'S EMAIL: GWALCH@NEVADAFIRM.COM

August 30, 2006

Via email and U.S. Mail

Lenard Schwartzer, Esq.
Schwartzer and McPherson Law Firm
2850 South Jones Boulevard, Suite #1
Las Vegas, Nevada 89146

RE: USACM - Distributions

Dear Mr. Schwartzer:

As you may know, my trust (Gregory J. and Shauna M. Walch Family Trust) is a direct lender in four loans.¹ This letter is to get clarity on five matters.

First, the "As of June 30" loan summary distributed by USACM relating to my loans is attached, as is the distribution summary that I received with my check Tuesday, August 29. The loan summary indicates that the "interest due" the trust (net of service fees) is \$6,372, that "principal due" the trust is \$3,495, and that of the \$3,495 in principal due the trust only \$1,187 is held in the collection account. The distribution approved by the court was to be based on the "As of June 30" loan summaries mailed to lenders. Accordingly, I expected to receive 98% of the \$1,187 (\$1,163.26) to account for the 2% holdback applicable to principal payments + \$6,372, for a total of \$7,535.26. Instead, I received \$6,590.42, based on "interest due" of \$6,647.61 and a court required holdback of \$57.19. Further, each of the scheduled "interest due" numbers was different than the mailing to me on which I based my decision not to oppose your clients' motions. Specifically, on Marlton Square I got paid (before holdback) \$189.18 instead

¹ I've used firm letterhead above so that you know where and how to respond. The firm of Santoro, Driggs, Walch et al. does not represent my trust in these proceedings.

August 30, 2006

Page 2

of the \$410 shown on the mailing; on Binford Medical Developers I got paid (before holdback) \$1704.15 instead of the \$1,326 shown on the mailing; on Foxhill 216 I got paid (before holdback) \$2,622.97 instead of the \$2,624 shown on the mailing; on Roam Development I got paid (before holdback) \$2,058.66 (interest only) instead of the \$2,013 (interest only) shown in the mailing; and on Bay Pompeno Beach I got paid (before holdback) \$72.66 instead of the 0 shown on the mailing. I am at a loss to explain the differences as there were no explanations given in the distribution mailing. Nor can I discern how the holdback was calculated. While I realize that the various schedules are subject to change, I want to know why and how these numbers were changed as soon as possible.

Second, please indicate how the service fees are being calculated by referencing numbers in the attached loan and distribution summaries. I can't seem to make heads or tails of it. The "As of June 30" loan summaries already have the service fees netted in line 7, and the distribution summaries don't even mention USACM's cut of interest payments made by the borrowers. I want to evaluate the service fees deducted for each loan. On the Marlton Square loan for instance, please indicate how much in service fees has been deducted by USACM in order to get to the line 7 number of \$5,123, and provide the same information for each loan (for the latest distribution and total).

Third, the "As of June 30" mailing I received a few weeks ago indicated that there was unremitted principal on the Roam Development loan of \$3,495, of which \$1,187 is held in the collection account.² The principal in the collection account was not paid to me in the distribution, which erroneously indicates in its summary schedule that now there is NO principal due me. For the record, I have received NO principal payments even though your client now shows my investment diminished by \$3,494.91. Please pay the principal held in the collection account (\$1,187) immediately as ordered by the court, and amend the records to reflect that your client does indeed owe me the balance of the \$3,494.91.

Fourth, I want to make sure that I understand where USACM intends to go with respect to Mr. Allison's assertion in his August 2, 2006, declaration that sometimes "[servicing fees] were calculated incorrectly using an interest rate "spread" rather than the loan service fee allowed pursuant to the Servicing Agreements signed by each Direct Lender." As I'm sure Mr. Allison is aware, the servicing agreements were prospective and provided that USACM charges could not exceed a certain percentage per annum of the outstanding principal amount for loan servicing. Thereafter, USACM and its brokers pitched individual loans to direct lenders based on the spread. I've enclosed a copy of a typical circular – this one was for the Binford Medical loan – showing that the lender is to receive a net interest payment of 12%. The loan documents themselves required Binford to pay interest at 13% per annum, meaning USACM's service fee was 1% of any interest payments made. Provided the Service Agreements allowed service fees of up to at least 1%, no new Service Agreements would be necessary to support the Binford Medical loan. Similarly, if a particular Service Agreement allowed up to 3%, 5%, or 10%, no new Service Agreement would be needed to accommodate the 1% service fee on the loan.

² You will recall that the Roam Development loan was one of the nine loans for which your client originally sought bankruptcy court approval to accept principal payments and give partial reconveyances.

August 30, 2006

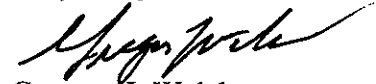
Page 3

However, the reverse is not true. USACM does not get 3% as a service fee just because the Service Agreement says its fees cannot exceed 3% if the basis of an individual loan is that the borrower would pay a certain amount, the lender would net a certain amount, and USACM would keep the difference. Applying other than the agreed upon spread would be a clear breach of contract warranting further efforts by direct lenders to have contracts removed. Please let me know your client's position on this matter as soon as possible so that I can take appropriate action.

Fifth, please advise when USACM will be foreclosing on the Marlton Square loan or the business justification for any delay.

I look forward to your response.

Very Truly Yours,

A handwritten signature in black ink, appearing to read "Gregory J. Walch", written in a cursive style.

Gregory J. Walch

GJW:gjw
Enclosure
Cc: Nick Santoro

USA Commercial Mortgage Company ("USA")

Explanatory Notes to the Loan-by-Loan Lender Reconciliation Statements ("Statements")



11320493000917

GREGORY J WALCH AND SHAUNA M WALCH
FAMILY
TRUST DATED 11/12/04
C/O GREGORY J WALCH TRUSTEE
344 DOE RUN CIR
HENDERSON, NV 89012-2704

The numbered explanations below correspond to the line numbers on the Statements:

1. Line 1 is the total principal amount invested in the loan under each discrete "Vesting Name" (for example, "John Doe IRA" is a different Vesting Name than "John Doe, Trustee of the John Doe Family Trust").
2. Line 2 is the amount of the principal investment shown on Line 1 that was later assigned out (i.e., sold) by this Lender to another Lender for which USA was the broker for the assignment(s).
3. Line 3 is the difference between Line 1 and Line 2 and represents the Lender's net principal investment in this loan.
4. Line 4 is the total amount of principal repayments attributable to the Lender in this loan that were made by the Borrower to USA as servicer on the loan.
5. Line 5 is the amount of the principal repayments shown on Line 4 that was remitted by USA to the Lender. Payments made to the Lender after the Borrower paid off the loan in full have been reclassified as principal payments and are included in this Line. These payments may have been originally reported to the Lender as interest.
6. Line 6 is the amount of the principal repayments shown on Line 4 that was not remitted by USA to the Lender. (Line 6 is the difference between Line 4 and Line 5).
7. Line 7 is the total amount of interest payments attributable to the Lender on this loan that were made by the Borrower to USA as servicer on the loan, net of USA's 1% servicing fee. A 1% annual service fee on the Lenders outstanding principal has been calculated according to the terms of the servicing agreement for the months of uncollected interest. That is, a service fee is being charged on all loans, regardless of pre-petition practice, for the months represented by the interest currently being collected.
8. Line 8 is the total amount in interest payments that USA remitted or advanced to the Lender on account of this loan (whether or not the Borrower had made a corresponding interest payment to USA). This should equal the amount of interest payments the Lender has received.

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9. Line 9 is the difference between Line 7 and Line 8. If the number is positive, it represents interest that the Borrower paid to USA as servicer on account of Lender's interest in this loan that USA has not yet remitted to the Lender. If the number is negative (in parentheses), it represents interest that USA paid to the Lender on this loan above and beyond what the Borrower had paid to USA as servicer.

10. Line 10 is the amount of the unremitted principal shown in Line 6 that is being held in USA's collection account on behalf of the Lender. This figure has not been determined as of the Filing date, but will be shown on future statements. On this statement, all unremitted principal is on Line 13.

11. Line 11 is the same as Line 9.

12. Line 12 is net amount that USA believes is currently due to (or from) the Lender (the sum of Line 10 and Line 11). If the number is positive, it is the net amount USA believes it is holding on behalf of the Lender on this loan. If the number is negative (in parentheses), it represents the net overpayment USA made to the Lender on this loan.

13. Line 13 is the amount of unremitted principal shown on Line 6 that is not held in USA's collection account. Line 13 (unremitted principal not held), when added with Line 10 (unremitted principal held), equals Line 6 (total unremitted principal repayments on this loan).

14. Line 14 is the amount of unpaid interest that the Borrower owes to USA as servicer on this loan that is attributable to this Lender, net of USA's 1% service fee. This amount, if USA is able to collect it from the Borrower, would reduce the amount of overpaid interest (if any) due from the Lender shown on Line 9.

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USA Commerical Mortgage Company
as Loan Servicing Agent for Loans Listed Below
Loan Summary for Client ID 6327

Individual Investments

Vesting Name: Gregory J. Walch Trustee of the Gregory J. Walch and Shauna M. Walch Family Trust dated 11/12/04
Address: GREGORY J WALCH AND SHAUNA M WALCH FAMILY
TRUST DATED 11/12/04
C/O GREGORY J WALCH TRUSTEE
344 DOE RUN CIR
HENDERSON, NV 89012-2704

| Loan Name | Dates | Performance Evaluation | Original Investment | Current Investment | Principal Paid to Common Investor USA-CMC | Interest Paid to Common Investor USA-CMC | Total Paid to Common Investor |
|----------------------------|---------------------|---------------------------|------------------------|-----------------------|---|--|----------------------------------|
| Roam Development Group | 03/07/05 - 06/30/06 | Performing | \$150,000 | \$146,505 | \$3,495 | \$2,013 | \$5,508 |
| Marlton Square | 06/20/05 - 06/30/06 | Non-Performing | \$75,000 | \$75,000 | \$0 | \$410 | \$410 |
| Binford Medical Developers | 08/31/05 - 06/30/06 | Performing | \$75,000 | \$75,000 | \$0 | \$1,326 | \$1,326 |
| Foxhill 216, LLC | 02/23/06 - 06/30/06 | Performing | \$200,000 | \$200,000 | \$0 | \$2,624 | \$2,624 |
| Totals: | | | \$500,000 | \$496,505 | \$3,495 | \$6,372 | \$9,867 |

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Prepared by MFIM, LLC

THIS STATEMENT REFLECTS THE STATUS THROUGH JUNE 30, 2006.

USA Commerical Mortgage Company ("USA")

as Loan Servicing Agent for

Roam Development Group

as of June 30, 2006

Vesting Name: Gregory J. Walch Trustee of the Gregory J. Walch and Shauna M. Walch Family Trust
dated 11/12/04

Address: GREGORY J WALCH AND SHAUNA M WALCH FAMILY
TRUST DATED 11/12/04
C/O GREGORY J WALCH TRUSTEE
344 DOE RUN CIR
HENDERSON, NV 89012-2704

Client ID: 6327

Performance Evaluation: Performing

| | |
|--|-----------|
| 1. Original Principal Investment | \$150,000 |
| 2. Principal Investment Assigned Out | 0 |
| 3. Net Principal Investment | \$150,000 |
| 4. Principal Payments Made by Borrower to USA | \$3,495 |
| 5. Principal Payments Remitted by USA to Lender | 0 |
| 6. Principal Payments Unremitted by USA to Lender | \$3,495 |
| 7. Interest Paid to USA by Borrower, net of service fee | \$19,963 |
| 8. Interest Remitted or Advanced by USA to Lender | 17,950 |
| 9. Interest Due to (from) Lender | \$2,013 |
| 10. Unremitted Principal held in Collection Account | \$1,187 |
| 11. Interest Due to (from) Lender | 2,013 |
| 12. Net Amount Currently Due to (from) Lender | \$3,201 |
| 13. Unremitted Principal not held in Collection Account | \$2,308 |
| 14. Interest Unpaid to USA by Borrower, net of service fee | \$3,626 |

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USA Commerical Mortgage Company ("USA")

as Loan Servicing Agent for

Marlton Square

as of June 30, 2006

Vesting Name: Gregory J. Walch Trustee of the Gregory J. Walch and Shauna M. Walch Family Trust dated 11/12/04

Address: GREGORY J WALCH AND SHAUNA M WALCH FAMILY
TRUST DATED 11/12/04
C/O GREGORY J WALCH TRUSTEE
344 DOE RUN CIR
HENDERSON, NV 89012-2704

Client ID: 6327

Performance Evaluation: Non-Performing

| | |
|--|-----------------|
| 1. Original Principal Investment | \$75,000 |
| 2. Principal Investment Assigned Out | 0 |
| 3. Net Principal Investment | <u>\$75,000</u> |
| 4. Principal Payments Made by Borrower to USA | \$0 |
| 5. Principal Payments Remitted by USA to Lender | 0 |
| 6. Principal Payments Unremitted by USA to Lender | <u>\$0</u> |
| 7. Interest Paid to USA by Borrower, net of service fee | \$5,123 |
| 8. Interest Remitted or Advanced by USA to Lender | 4,714 |
| 9. Interest Due to (from) Lender | <u>\$410</u> |
| 10. Unremitted Principal held in Collection Account | \$0 |
| 11. Interest Due to (from) Lender | 410 |
| 12. Net Amount Currently Due to (from) Lender | <u>\$410</u> |
| 13. Unremitted Principal not held in Collection Account | \$0 |
| 14. Interest Unpaid to USA by Borrower, net of service fee | \$2,650 |

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USA Commerical Mortgage Company ("USA")

as Loan Servicing Agent for
Binford Medical Developers
 as of June 30, 2006

Vesting Name: Gregory J. Walch Trustee of the Gregory J. Walch and Shauna M. Walch Family Trust dated 11/12/04
 Address: GREGORY J WALCH AND SHAUNA M WALCH FAMILY
 TRUST DATED 11/12/04
 C/O GREGORY J WALCH TRUSTEE
 344 DOE RUN CIR
 HENDERSON, NV 89012-2704
 Client ID: 6327

Performance Evaluation: Performing

| | |
|--|-----------------|
| 1. Original Principal Investment | \$75,000 |
| 2. Principal Investment Assigned Out | 0 |
| 3. Net Principal Investment | <u>\$75,000</u> |
| 4. Principal Payments Made by Borrower to USA | \$0 |
| 5. Principal Payments Remitted by USA to Lender | 0 |
| 6. Principal Payments Unremitted by USA to Lender | <u>\$0</u> |
| 7. Interest Paid to USA by Borrower, net of service fee | \$5,876 |
| 8. Interest Remitted or Advanced by USA to Lender | 4,550 |
| 9. Interest Due to (from) Lender | <u>\$1,326</u> |
| 10. Unremitted Principal held in Collection Account | \$0 |
| 11. Interest Due to (from) Lender | 1,326 |
| 12. Net Amount Currently Due to (from) Lender | <u>\$1,326</u> |
| 13. Unremitted Principal not held in Collection Account | \$0 |
| 14. Interest Unpaid to USA by Borrower, net of service fee | \$1,740 |

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USA Commerical Mortgage Company ("USA")

as Loan Servicing Agent for

Foxhill 216, LLC

as of June 30, 2006

Vesting Name: Gregory J. Walch Trustee of the Gregory J. Walch and Shauna M. Walch Family Trust dated 11/12/04

Address: GREGORY J WALCH AND SHAUNA M WALCH FAMILY
TRUST DATED 11/12/04
C/O GREGORY J WALCH TRUSTEE
344 DOE RUN CIR
HENDERSON, NV 89012-2704

Client ID: 6327

Performance Evaluation: Performing

| | |
|--|------------------|
| 1. Original Principal Investment | \$200,000 |
| 2. Principal Investment Assigned Out | 0 |
| 3. Net Principal Investment | <u>\$200,000</u> |
| 4. Principal Payments Made by Borrower to USA | \$0 |
| 5. Principal Payments Remitted by USA to Lender | 0 |
| 6. Principal Payments Unremitted by USA to Lender | <u>\$0</u> |
| 7. Interest Paid to USA by Borrower, net of service fee | \$4,985 |
| 8. Interest Remitted or Advanced by USA to Lender | 2,361 |
| 9. Interest Due to (from) Lender | <u>\$2,624</u> |
| 10. Unremitted Principal held in Collection Account | \$0 |
| 11. Interest Due to (from) Lender | 2,624 |
| 12. Net Amount Currently Due to (from) Lender | <u>\$2,624</u> |
| 13. Unremitted Principal not held in Collection Account | \$0 |
| 14. Interest Unpaid to USA by Borrower, net of service fee | \$5,850 |

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USA Commercial Mortgage Company
as Loan Servicing Agent for Loans Listed Below

Loan Summary for Client ID 6334

Individual Investments

Gregory J. Walch Trustee of the Gregory J. Walch and Shauna M. Walch Family Trust dated 11/12/04

TRUST DATED 11/12/04

C/O GREGORY J WALCH TRUSTEE 344 DOE RUN CIR

HENDERSON, NV 89012-2704

| Loan Name | Dates | Original Investment | Current Investment | Principal Due to (from) Investor - USA CMC | Interest Due to (from) Investor USA CMC | Total Due to (Owed from) Investor |
|----------------------------|-------------------|---------------------|---------------------|--|---|-------------------------------------|
| Bay Pompano Beach | 5/10/05 - 6/30/06 | \$150,000.00 | \$0.00 | \$0.00 | \$72.66 | \$72.66 |
| Binford Medical Developers | 8/31/05 - 6/30/06 | \$75,000.00 | \$75,000.00 | \$0.00 | \$1,704.15 | \$1,704.15 |
| Foxhill 216, LLC | 1/26/06 - 6/30/06 | \$200,000.00 | \$200,000.00 | \$0.00 | \$2,622.97 | \$2,622.97 |
| Marlton Square | 9/1/05 - 6/30/06 | \$75,000.00 | \$75,000.00 | \$0.00 | \$189.18 | \$189.18 |
| Roam Development Group | 3/7/05 - 6/30/06 | \$150,000.00 | \$146,505.09 | \$0.00 | \$2,058.66 | \$2,058.66 |
| Totals: | | \$650,000.00 | \$496,505.09 | \$0.00 | \$6,647.61 | \$6,647.61 |
| Less: | | | | | | |
| | | | | | | -57.19 |
| | | | | | | Net check amount: \$6,590.42 |

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Prepared by MFDM, LLC

THIS STATEMENT REFLECTS THE STATUS THROUGH JUNE 30, 2006

USA Capital

First Trust Deed Investment

- Borrower:** Binford Medical Developers, LLC
Binford Medical Developers is owned and managed by Ken E. Schmidt, business owner and developer of a number of professional office, warehouse, and distribution buildings in the Indianapolis area for the past 26 years.
- Loan Amount:** \$8,375,000
- Rate:** 12% (net)
- Loan to Value:** Approximately 75% based on a land appraisal by Meid Compton Realty dated November 15, 2004, Meid Compton Realty is also doing an appraisal for Building 2.
- Term:** 12 months
- Collateral:** First Trust Deed on Approximately 16.8 acres of land for a medical office complex, including construction of a 47,000 square foot office building on the corner of 65th and Binford Boulevard in Indianapolis, Indiana. The property is located on the northeast side of Indianapolis, only five minutes from I-465, I-69, and Castleton and twenty minutes from downtown Indianapolis.
- The Project:** The Binford Medical Professional Office complex has been designed and exclusively planned for immediate care and diagnostic facilities. Plans call for development of over 150,000 square feet of leaseable medical/professional office space in 6 buildings. The buildings will all be two-story, with two single-story wings connecting the three buildings. A CVS Pharmacy will be located on this property as well.

Community Hospital North's new Heart Hospital is located less than 2 miles from this project. The Hospital created an increased demand for new generation medical/professional office space.

Tom Stewart

702-734-2400

Toll Free 888-921-8009

Licensed by the State of Nevada Division of Mortgage Lending
USA Commercial Mortgage Company 4484 S. Pecos Rd, Las Vegas NV 89121
License #MB 333 8/12/2005

Money invested through a mortgage broker is not guaranteed to earn any interest or return and is not insured.
Before investing investors must be provided applicable disclosure.

USA Capital

Borrower Equity: The borrower has contributed over \$1,300,000 for land acquisition and entitlement costs.

Guarantees: The loan will be guaranteed by Ken E. Schmidt with an approximate net worth of \$5,500,000 as of February 1, 2005.

**Minimum
Investment:** \$50,000

Tom Stewart

702-734-2400

Toll Free 888-921-8009

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USA Commercial Mortgage Company 4484 S. Pecos Rd, Las Vegas NV 89121

License #MB 333 8/12/2005

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